



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

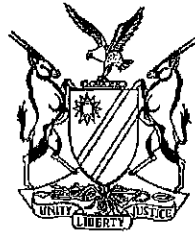
MUNICIPALITY OF GOBABIS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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REPUBLIC OF NAMIBIA



TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY

I have the honour to submit herewith my report on the accounts of the Municipality of Gobabis for the financial year ended 30 June 2019, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991, (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

WINDHOEK, November 2021

A handwritten signature in black ink, appearing to read 'Junias Etuna Kandjeke'.

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF
THE GOBABIS MUNICIPALITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

1. DISCLAIMER AUDIT OPINION

I have audited the financial statements of the Gobabis Municipality for the financial year ended 30 June 2019. These financial statements comprise the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flow and Notes to the financial statements for the year then ended, and a summary of significant accounting policies.

In my opinion, because of the significance of the matters described in the Basis for Disclaimer of Audit Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

2. BASIS FOR DISCLAIMER AUDIT OPINION

I conducted my audit in accordance with International Standards for Supreme Audit Institutions. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the entity in accordance with the Code of Ethics for Supreme Audit Institutions together with the ethical requirements that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the Code of Ethics.

I believe that the audit evidence I have obtained is not sufficient and appropriate to provide a basis for my opinion. A Disclaimer audit opinion is being expressed due to the following:

- The auditors were unable to obtain sufficient appropriate evidence to verify the valuation of the Municipality land as at 30 June 2019. In the previous financial year, adjustments of N\$ 5 139 064 888 were done to the Land and Appropriation fund balances to reflect the value of land previously excluded from the accounting records. Whilst the adjustments formed part of the final Land and Appropriation balances disclosed in the annual financial statements for the year ended 30 June 2018, the opening balances brought forward from the 2017/18 financial year do not reflect these adjustments. The auditors were not provided with a new valuation of all land owned by the Municipality and the accompanying valuation methodology and assumptions. As a result, auditors could not verify the valuation of the Municipality land as at 30 June 2019;
- In May 2019, the Municipality entered into a Joint Venture (JV) Agreement and a Shareholders' Agreement with Shamrock Investments Holdings (Pty) Ltd "Shamrock Investments/the Developer" in which the Municipality was to avail property and Shamrock Investments in return source funding for the construction and erection of a Municipal Bungalow Complex through the incorporation of a Special Purpose Vehicle "SPV" in the form of a separate company in which the two parties have equal shareholding. The auditors were not provided with such information on the subsequent implementation of the JV and Shareholders agreement as well as resolutions as to enable them to develop the necessary audit procedures to assess the financial implications of the Joint Venture agreement and

adherence to IFRS 11 “Joint Arrangements” in the Municipality’s annual financial statements for the year ended 30 June 2019;

- The total opening property and equipment cost balances (excluding Land) in the Fixed asset register and the general ledger indicated a difference of N\$ 14 703 015. The auditors were not provided with information explaining the difference nor the specific details of the adjustments made. Similarly, details of “other movements” of N\$ 14 796 425 disclosed in the annual financial statements were not provided. The auditors were therefore unable to audit the adjustments done to property, plant and equipment balances;
- Property plant and equipment capital expenditure under the Upgrade of Roesener Street project awarded and executed by a local contractor were being recorded on the basis of payments made and not the actual work performed as certified by the contractor and approved by the internal Engineer. The auditors did not obtain the reconciliation between the certificates issued by the contractor and payments made to same in order to verify the accuracy and completeness in recording capital expenditure;
- The review of capital projects report performed by Internal Auditors of the Ministry of Urban and Rural Development have demonstrated significant internal control deficiency and mismanagement of Capital project of the Council, therefore the recommendation by Internal Audit report should be implemented by the Council.
- The auditors were not provided with the original count sheets in relation to the inventory count conducted by management. The auditors were therefore unable to satisfy themselves by alternative means concerning the inventory quantities held as at 30 June 2019 which are stated in the statement of financial position at N\$ 3 545 738.

3. OTHER INFORMATION

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements, or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information; I am required to report that fact.

I draw attention to encourage staff members in the finance department to obtain academic and professional qualifications in financial reporting standards, to enhance the quality of the Municipality financial statements. Furthermore, there is need for the staff to receive technical training in a suitable financial reporting package. My opinion is not qualified in respect of this matter.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standard (IFRS) and legislation, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible of overseeing the entity's financial reporting process.

4. AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue and auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs), will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards for Supreme Audit Institutions, I exercise professional scepticism throughout the audit, I also;

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- Evaluate the appropriateness of accounting policies uses and the reasonableness of accounting estimates and related disclosures made by management;

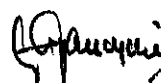
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence, obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit;
- Provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or, when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

6. ACKNOWLEDGEMENT

The co-operation and assistance by the management and staff of the Gobabis Municipality during the audit is appreciated.

WINDHOEK, November 2021



JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

ANNEXURE A

GOBABIS MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE

ASSETS	Note	2019 N\$	2018 N\$
Non-current assets		190 928 263	191 676 259
Property, plant and equipment	2	186 543 645	185 583 315
Intangible assets	3	24 136	36 203
Other financial assets		664 227	560 392
Housing receivables	5	3 696 255*	5 496 349
Current assets		47 465 570	45 703 475
Inventories		3 545 738	3 161 866
Loans to employees		852 637	727 482
Trade and other receivables	4	29 970 894	25 548 822
Cash and cash equivalents	6	13 096 301	16 265 305
TOTAL ASSETS		238 393 833	237 379 734
EQUITY AND LIABILITIES			
Equity		200 082 205	193 692 557
Reserves		54 267 060	52 099 467
Retained income		145 815 145	141 593 090
Liabilities			
Non-current liabilities			
Government loans		2 618 100	3 274 223
Current liabilities		35 693 528	40 412 954
Trade and other payables	7	35 089 520	40 088 145
Government loans – current		604 008	324 809
TOTAL EQUITY AND LIABILITIES		238 393 833	237 379 734

* The amount does not agree to the note 5 of the notes to the financial statements

ANNEXURE B

GOBABIS MUNICIPALITY
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE

	Note	2019 N\$	2018 N\$
Revenue	8	126 268 369	117 429 162
Other income	9	1 503 653	414 103
Operating expenses	13	(122 438 453)	(121 306 971)
Operating loss		5 333 569	(3 463 706)
Investment income	10	690 494	2 256 150
Finance costs	11	(1 800 795)	(319 897)
Profit/(Loss) for the year		4 223 268	(1 527 453)

GOBABIS MUNICIPALITY
STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE

	Note	2019 N\$	2018 N\$
Cash flows from operating activities			
Cash generated from (used in) operations	12	2 156 402	8 200 547
Interest income		690 494	2 256 150
Finance income		(1 800 795)	(319 897)
Net cash from operating activities		1 046 101	10 136 800
Cash flows from investing activities			
Purchase of property, plant and equipment		(20 204 497)	(12 868 819)
Purchase of investment in shares		(103 835)	(560 392)
Repayment received from loan debtors		1 800 094	146 154
Adjustment to fixed assets (note 2)		14 795 212	-
Net cash from investing activities		(3 713 026)	(13 283 057)
Cash flows from financing activities			
Movement in government loans		(376 924)	(189 105)
Movement in loans to employees		(125 155)	85 845
Sales of land (ervens) direct to equity		-	2 921 403
Prior year errors adjusted directly to equity		-	426 392
Net cash from financing activities		(502 079)	3 244 535
Net changes in cash and cash equivalents		(3 169 004)	98 278
Cash at the beginning of the year		16 265 305	16 167 027
Total cash at end of the year	6	13 096 301	16 265 305

ANNEXURE D

GOBABIS MUNICIPALITY
STATEMENT OF CHANGES IN EQUITY

	Fixed property fund	Other funds	Retained income	Total equity
	N\$	N\$	N\$	N\$
Balance at 01 July 2017	32 754 418	16 423 646	143 158 713	192 336 777
Loss for the year	-	-	(1 527 453)	(1 527 453)
Reclassification and other income direct to equity	2 414 173	-	-	2 414 173
Classification and other income direct to equity	-	507 230	-	507 230
Credit balance of Loans to employees	-	-	(38 170)	(38 170)
Balance at 01 July 2018	35 168 591	16 930 876	141 593 090	193 692 557
Profit for the year	-	-	4 223 268	4 223 268
Reclassification and other income direct to equity	1 518 602	-	-	1 518 602-
Direct adjustment to equity	-	648 991	-	648 991
Reclassification of other funds to retained earnings through OCI	-	-	(1 213)	(1 213)
Total changes				
Balance as at 01 July 2019	36 687 193	17 579 867	145 815 145	200 082 205

GOBABIS MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

General information

Municipality of Gobabis is a company incorporated and domiciled in Namibia.

1. Basis of preparation and summary of significant accounting policies

The financial statements have been prepared on a going concern basis in accordance with **International Financial Reporting Standard** and the Local Authorities Act no 23 of 1992. The financial statements have been prepared on the historical cost basis and accrual basis and incorporate the principal accounting policies set out below. They are presented in Namibia Dollar, rounded up to the nearest Namibian Dollar.

These accounting policies are consistent.

1.1 Property, plant and equipment

Property, plant and equipment are tangible assets which the company holds for its own use or for rental to others and which are expected to be used for more than one period.

Property, plant and equipment is initially measured at cost.

Cost includes costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognized in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognized.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalized if it is probable that future economic benefits associated with the expenditure will flow to the company and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the period in which they are incurred.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company.

GOBABIS MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019
(CONTINUED)

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	4-50
Infrastructure - Sewer	Straight line	10-50
Infrastructure - Electricity	Straight line	10-50
Infrastructure - roads	Straight line	10-50
Infrastructure - water	Straight line	10-50
Motor vehicles	Straight line	5
Furniture and fittings	Straight line	10
IT Equipment and related	Straight line	5
Office equipment	Straight line	5-10
Tools	Straight line	5

When indicators are present that the useful lives and residual values of items of property, plant and equipment have changed since the most recent annual reporting date, they are reassessed. Any changes are accounted for prospectively as a change in accounting estimate.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognized immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognizing of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognized.

GOBABIS MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019
(CONTINUED)

1.2 Financial instruments

Initial measurement

Financial instruments are initially measured at the transaction price (including transaction costs except in the initial measurement of financial assets and liabilities that are measured at fair value through surplus or deficit) unless the arrangement constitutes, in effect, a financing transaction in which case it is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial instruments at amortised cost

These include loans, trade receivables and trade payables. Those debt instruments which meet the criteria in section 11.8(b) of the standard, are subsequently measured at amortised cost using the effective interest method. Debt instruments which are classified as current assets or current liabilities are measured at the undiscounted amount of the cash expected to be received or paid, unless the arrangement effectively constitutes a financing transaction.

Interest incurred or earned is recognised into surplus or deficit to extent it relates to municipal instruments.

At each reporting date, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If there is objective evidence, the recoverable amount is estimated and compared with the carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in surplus or deficit.

GOBABIS MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019
(CONTINUED)

1.3 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. All other leases are operating leases.

Operating leases - lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term unless:

- another systematic basis is representative of the time pattern of the benefit from the leased asset, even if the receipt of payments is not on that basis, or
- the payments are structured to increase in line with expected general inflation (based on published indexes or statistics) to compensate for the lessor's expected inflationary cost increases.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term unless:

- another systematic basis is representative of the time pattern of the benefit from the leased asset, even if the payments are not on that basis, or
- the payments are structured to increase in line with expected general inflation (based on published indexes or statistics) to compensate for the lessor's expected inflationary cost increases.

Any contingent rents are expensed in the period they are incurred.

1.4 Inventories

Inventories include those assets that are held for consumption and for provision of goods and services. Inventories are measured at the lower of cost and estimated selling price less costs to complete and sell, on the first-in, first-out (FIFO) basis.

1.5 Impairment of assets

The municipality assesses at each reporting date whether there is any indication that property, plant and equipment or intangible assets be impaired. If there is any such indication, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in surplus or deficit.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset (or group of assets) in prior years. A reversal of impairment is recognized immediately in surplus or deficit.

GOBABIS MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019
(CONTINUED)

1.6 Internal reserves and funds

The Municipality established internal reserves in line with section 80 of the Local Authorities Act 23 of 1992.

Fixed property reserve

Established by the Municipality as a revolving fund to fund infrastructure development including development of new Municipal areas. Contributions to the fund are by way of sales of ervens and qualifying government contributions.

Sales of land are recognised in the statement of surplus or deficit and subsequently transferred to the fund through the Statement of Changes in Net Assets to the reserve.

Time to time the Municipality receives government contributions for infrastructure development. Government contribution is recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions, or obligations embodied in the funding agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised. Unconditional grants and receipts are recognised in the surplus or deficit upon receipt. Subsequently the funds recognised as revenue is transferred to fixed property reserve through the Statement of Changes in Net Assets.

Other reserves

The Municipality has established other reserves such as sanitation reserves, to fund other municipality projects. Contributions to and from the reserve are transferred via the Statement of Changes in Net Assets to such reserve in line with the amount provided for in the operating budget.

All reserves are supported by investments held with financial institutions and to a certain extent with accounts receivable. Interest earned on the investments supporting up these funds is recorded as part of interest earned in surplus or deficit for the year and can be transferred via the Statement of Changes in Net Assets to the Fund.

GOBABIS MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019
(CONTINUED)

1.7 Housing development fund

The Municipality has two housing development funds established under section 58(1) of Local Authority Act no 23 of 1992 which is read with S30 of the same act. These funds were established to provide funding to low-income earners, within the municipal area, for the purpose of housing development. The terms require separate operating accounts to be maintained by the municipality i.e., each fund to have separate bank account or investments and must be backed by cash and receivable.

Interest earned (and impairment on loan receivables) on the investments and loan receivable supporting up these funds is recorded as interest earned and impairment in surplus or deficit for the year. Interest earned (net of impairment of receivables) is transferred via the Statement of Changes in Net Assets to the two-housing development fund.

1.8 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as leave pay and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. These contributions are paid to Retirement Fund of Local Authorities and Utility Services in Namibia, which manages the funds on behalf of the employees in with Pension Funds Act, No 24 of 1956.

1.9 Provisions and contingencies

Provisions are recognised when the municipality has an obligation at the reporting date as a result of a past event; it is probable that the municipality will be required to transfer economic benefits in settlement; and the amount of the obligation can be estimated reliably.

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate (municipality is not subject to income tax) that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

Provisions are not recognised for future operating losses.

GOBABIS MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019
(CONTINUED)

1.10 Government grants

Grants that do not impose specified future performance conditions are recognised in surplus or loss when the grant proceeds are receivable.

Grants that impose specified future performance conditions are recognised in income only when the performance conditions are met.

Grants received before the revenue recognition criteria are satisfied are recognised as a liability.

Grants are measured at the fair value of the asset received or receivable.

1.11 Revenue

Revenue is recognised to the extent that the municipality has transferred significant risks and rewards of ownership of goods to the buyer or has rendered services under an agreement provided the amount of revenue can be measured reliably and it is probable that economic benefits associated with the transaction will flow to the municipality. Revenue is measured at the fair value of the consideration received or receivable, excluding value added tax and discounts received.

Service revenue is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The Stage of completion is determined by surveys of work performed. When the outcome of a transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest is recognised, in profit or loss, using the effective interest rate method.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred. Municipality incurs borrowing costs (finance cost) from Government loans only.

1.13 Site preparation and restoration cost

The municipality has an obligation to rehabilitate and restore items of property, plant and equipment. Such obligations are referred to as "rehabilitation provisions". The cost of an item of property, plant and equipment includes the initial estimate of the costs of rehabilitation and restoring the site on which it is located, the obligation for which municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period.

As the related asset is measured using the cost model: -

new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

GOBABIS MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019
(CONTINUED)

- (a) Subject to (b), changes in a liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit;
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

GOBABIS MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(CONTINUED)

2. PROPERTY PLANT AND EQUIPMENT

	2019			2018		
	Cost N\$	Accumulated Depreciation N\$	Carrying Value N\$	Cost N\$	Accumulated Depreciation N\$	Carrying Value N\$
Land	70 065 934	-	70 065 934	70 065 934	-	70 065 934
Buildings	17 737 746	(1 716 548)	16 021 198	14 556 610	(1 117 706)	13 438 904
Infrastructure: sewer	46 775 750	(3 892 679)	42 883 071	44 607 297	(2 660 646)	41 946 651
Plant and equipment	6 423 928	(3 705 988)	2 717 940	7 328 836	(3 189 720)	4 139 116
Motor vehicles	4 945 481	(3 126 500)	1 818 981	4 945 481	(2 846 818)	2 098 663
Sanitation	725 967	(290 386)	435 581	725 967	(217 787)	508 180
Office Equipment	1 812 755	(1 360 187)	452 568	2363 345	(1 079 774)	1 283 571
Infrastructure - water	14 327 251	(1 871 487)	12 455 764	16 499 413	(1 337 517)	15 161 896
Infrastructure - Roads	2 955 696	(961 334)	1 994 362	8 637 656	(887 442)	7 750 214
Infrastructure: Electricity	26 433 155	(6 051 956)	20 381 199	33 074 095	(5 193 317)	27 880 778
Capital work in progress	17 317 047	-	17 317 047	1 309 408	-	1 309 408
TOTAL	209 520 710	(22 977 065)	186 543 645	204 114 042	(18 530 727)	185 583 315

GOBABIS MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019
(CONTINUED)

	Opening Balance	Additions	Other Changes / Movements	Depreciation	Total
	N\$	N\$	N\$	N\$	N\$
Land	70 065 934	-	-	-	70 065 934
Buildings	13 438 904	-	3 181 136	(598 842)	16 021 198
Infrastructure: Sewer	41 946 651	4 070 743	(1 902 291)	(1 232 032)	42 883 071
Plant and equipment	4 139 116	-	(904 908)	(516 268)	2 717 940
Motor vehicles	2 098 663	-	-	(279 682)	1 818 981
Sanitation	508 180	-	(2)	(72 597)	435 581
IT equipment	1 283 571	100 845	(651 435)	(280 413)	452 568
Infrastructure: Water	15 161 896	-	(2 172 162)	(533 970)	12 455 764
Infrastructure Roads	7 750 214	-	(5 681 960)	(73 892)	1 994 362
Infrastructure Electricity	27 880 778	25 270	(6 664 803)	(860 046)	20 381 199
Capital work in progress	1 309 408	16 007 639	-	-	17 317 047
	185 583 315	20 204 497	(14 796 425)	(4 447 742)	186 543 645

GOBABIS MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019
(CONTINUED)

RECONCILIATION OF PROPERTY PLANT AND EQUIPMENT – 2018

	Opening Balance	Additions	Transfers	Other changes, movements	Depreciation	Total
	N\$					
Land				70 065 934	-	70 065 934
General Capital assets	53 493 464	-	(53 493 464)	-	-	-
Building	-	-	13 967 574	-	(528 670)	13 438 904
Plant and machinery	-	-	43 962 484	(874 066)	(1 141 767)	41 946 651
Furniture and fixtures	-	-	4 696 268	-	(557 152)	4 139 116
Motor Vehicles	-	-	2 521 834	-	(423 171)	2 098 663
Office equipment	-	-	580 775	-	(72 595)	508 180
IT Equipment	-	3 970	1 614 950	-	(335 349)	1 283 571
Computer software	-	-	15 729 348	-	(567 452)	15 161 896
Leasehold improvements	-	-	7 916 530	-	(166 316)	7 750 214
Loan assets	25 804 007	-	(25 804 007)	-	-	-
Income assets	4 541 064	-	(4 541 064)	-	-	-
Other property, plant and equipment	8 354 685	12 864 849	28 914 654	-	(1 033 876)	27 880 778
Capital Work in progress	-	(19 910 126)	-	-	-	1 309 408
	92 193 220	12 868 819	16 155 756	69 191 868	(4 826 348)	185 583 315

GOBARIS MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019
(CONTINUED)

3. INTANGIBLE ASSETS

	2019		2018			
	Cost N\$	Accumulated amortization N\$	Carrying value N\$	Cost N\$	Accumulated amortisation N\$	Carrying value N\$
Licenses and franchises	60 338	(36 202)	24 136	60 338	(24 135)	36 203
Reconciliation of intangible assets - 2019						
			Opening Balance	Other Changes / Movements	Amortization	Total
			N\$	N\$	N\$	N\$
General Capital Assets			-	48 270	(12 067)	36 203
Reconciliation of intangible assets - 2018						
Licenses and franchises			48 270	-	(12 067)	36 203

GOBABIS MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(CONTINUED)

	2019	2018
	N\$	N\$
4. TRADE AND OTHER RECEIVABLES		
	29 970 894	25 548 822
Trade Receivables	15 782 383	13 679 189
VAT	11 305 448	8 060 751
Sundry receivables	529 247	746 411
Other loan receivables	2 353 816	3 062 471
5. HOUSING RECEIVABLES		
Housing loan receivables	3 697 855*	5 496 349
Build together - debts	-	115 240
Build together loan debtors	1 486 578	1 396 971
Build together loans	2 067 329	1 738 398
Mapange loan debtors	1 131 404	1 293 067
Smallingerland debtors	-	1 915 001
Mapange loans	355 781	380 909
Provision for bad debts - Build together	(1 343 237)	(1 343 237)

Housing loans consist of loan advances to Build Together fund and Smallerland fund participants. The provision for bad debts represents instalment overdue for 120 days and above

* The amount does not agree to the Statement of Financial position.

GOBABIS MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(CONTINUED)

	2019	2018
	N\$	N\$
6. CASH AND CASH EQUIVALENTS		
Cash and Cash equivalents consist of:	13 096 301	16 265 305
Cash on hand	460	460
Bank Balances	106 740	498 609
Short term investments with financial institutions - Sm/land	2 600 689	2 261 644
Short term investments with financial institutions - General	7 079 334	10 515 965
Short term investments with financial institutions - B/Together	3 309 078	2 988 627
7. TRADE AND OTHER PAYABLES		
	35 089 520	40 088 145
Trade payables	20 015 604	13 877 381
Amounts received in advance	171 971	154 181
Government Grant	1 672 269	-
Accrued leave and severance	9 927 224	9 238 068
Suspense	173 774	14 422 327
Retention	143 141	-
Deposits received	2 984 320	2 358 018
Credit balances loans to employees	1 217	38 170
8. Revenue		
	126 268 369	117 429 162
Government grants	22 783 001	17 863 585
Sanitation charges	9 350 146	7 837 931
Sewage charges	5 137 953	4 606 678
Rates and taxes	16 000 517	13 993 825
Sale of electricity	49 607 946	53 486 976
Rental income	2 311 430	1 249 518
Sale of water	19 429 348	16 960 957
Miscellaneous other revenue	2 190 087	3 682 528
Dividends received (Trading)	258 032	-
Less Inter-departmental charges	(800 091)	(2 252 836)

GOBABIS MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(CONTINUED)

	2019	2018
	N\$	N\$
9. OTHER INCOME	1 503 653	414 103
Debt collection lawyers' fees recoveries	55 268	41 543
Other Income	970 742	-
Tender document fees	477 643	361 045
Sale of obsolete materials	-	11 515
10. INVESTMENT INCOME		
Interest income	690 494	2 256 150
Loans	72 406	88 865
Bank	618 088	633 844
Interest charged on trade and other receivables	-	1 533 441
11. FINANCE COSTS		
	1 800 795	319 897
Trade and other payables	1 327 093	69 273
Interest paid	473 702	250 624
CASH (USED IN) GENERATED FROM		
12. OPERATIONS		
	2 156 402	8 200 547
Profit (Loss) before taxation	4 223 268	(1 527 453)
Adjustments for:		
Depreciation and amortisation	4 459 809	4 838 415
Interest received	(690 494)	(2 256 150)
Finance cost	1 800 795	319 897
Prior year errors adjusted to accumulated surplus	2 167 593	(14 248 553)
CHANGES IN WORKING CAPITAL:		
Inventories	(383 872)	1 502 105
Trade and other receivables	(4 422 072)	(353 666)
Trade and other payables	(4 998 625)	19 925 952

GOBABIS MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

	2019	2018
	N\$	N\$
13. Operating expenses	122 438 453	121 306 971
Administration and management fees	2 499 952	3 885 607
Advertising	231 618	226 787
Bad debts	2 360 811	6 907 599-
Bank charges	96 547	96 843
Consulting and professional fees	224 948	1 042 547
Depreciation, amortisation and impairment	4 459 809	4 838 415
Employee costs	38 509 723	34 840 315
Entertainment	113 771	36 735
Electricity purchases	45 834 999	46 611 654
Water purchases	17 059 799	13 698 822
Hire	171 236	166 156
Insurance	357 751	353 129
Legal expenses	1 564 863	1 392 950
Levies paid to Regional Council	699 691	652 218
Motor vehicle expenses	221 959	385 831
Petrol and oil	890 081	824 274
Postage	469 389	-
Printing and stationery	426 397	539 750
Protective clothing	4 564	235 059
Repairs and maintenance	4 622 347	3 763 664
Security	964 710	-
Subscriptions	156 033	-
Telephone and fax	-	424 492
Transport and freight	98 786	69 221
Training	6 452	-
Travel – local	392 217	314 903